CYLS

CYLT
Tokenomics

Security Token

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CYLT Tokenomics

- Token: CYLT — Security Token

- Network: Ethereum (ERC-20, transfer-restricted)

- Value: Issued/redeemed at $1 per token under legal docs but can trade at different price based on market demands

- Target Yield: 8% annual (subject to portfolio performance)

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Why CYLT?

CYLT is a Regulated Security Token offering direct, yield-bearing exposure to the underlying real estate portfolio. This token is designed for qualified investors seeking a compliant digital asset that provides returns anchored in tangible assets. Access to CYLT requires meeting all relevant eligibility criteria and successfully completing the necessary onboarding and disclosure processes, including KYC.

Legal Pack Primacy Notice

IMPORTANT: This document is for informational purposes only and does not constitute an offer to sell, or a solicitation of an offer to buy, any tokens or securities. Any offering of CYLT tokens will be made only pursuant to definitive offering documents. The definitive rights, obligations, and risk factors are set forth in the CYLT legal pack (Operating Agreement, Subscription Agreement, and Term Sheet). In any conflict between this document and the legal pack, the legal pack governs.
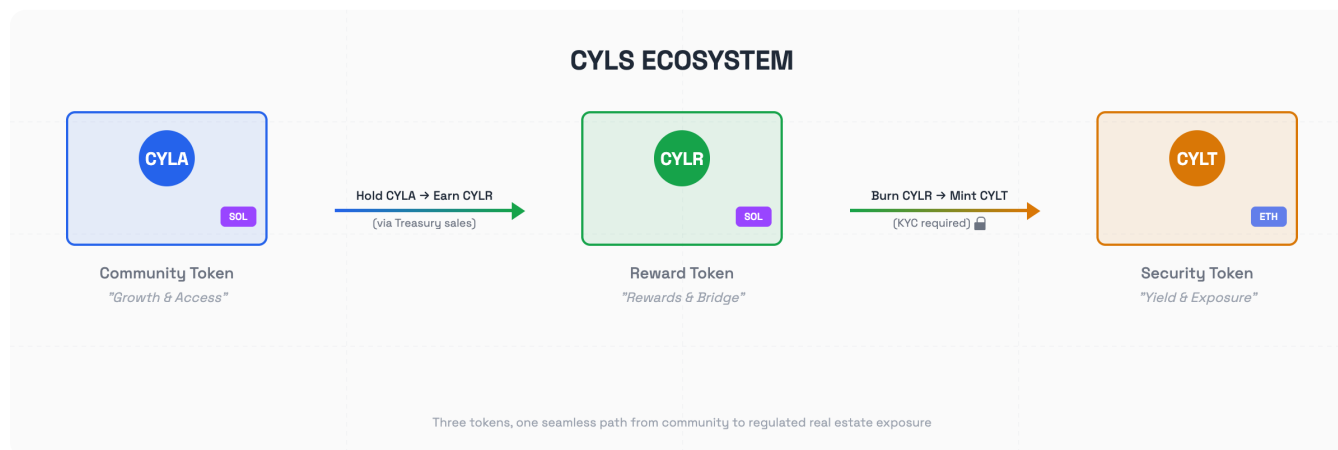
1. What Is CYLT?

- CYLT is a security token representing senior-style exposure to a real estate portfolio

• Holders receive quarterly distributions targeting 8% annual yield (when available)

• Two paths to acquire CYLT: direct subscription OR redemption from CYLR

KYC/AML verification required; only whitelisted addresses can hold or receive CYLT

CYLT is explicitly a security — not a utility token, not a reward token

See CYLS Project Whitepaper for full ecosystem overview and definitions.

CYLS ECOSYSTEM

CYLA — SOL
Community Token
"Growth & Access"

Hold CYLA → Earn CYLR
(via Treasury sales)

CYLR — SOL
Reward Token
"Rewards & Bridge"

Burn CYLR → Mint CYLT
(KYC required) 🔒

CYLT — ETH
Security Token
"Yield & Exposure"

Three tokens, one seamless path from community to regulated real estate exposure

2. Design Principles

Regulatory compliance first — designed as a security from day one

• Transfer restrictions enforced both on-chain (smart contract) and off-chain (legal agreements)

• Whole-unit accounting — 6 decimals on-chain, displayed as integers in UI for clarity

• Clear separation of roles — CYLT is for regulated exposure; CYLA and CYLR are not securities

• Portfolio-linked risk with waterfall protections (see legal pack for details)

3. Token Specifications

- Network: Ethereum (ERC-20 with transfer restrictions)

- Decimals: 6 on-chain, displayed as whole units in accounting and UI

- Mint authority: 3-of-5 multisig with 72-hour timelock

- Burn: On redemption, buyback, or restructuring events

- No pre-mine: Supply floats with capital inflows and outflows (no fixed cap)

- Transfer hook: Whitelist check enforced by smart contract on every transfer

Note: CYLT is an ERC-20 token with a transfer restriction wrapper contract. The base token is standard ERC-20; the wrapper enforces whitelist checks. The registrar contract maintains the whitelist on-chain, synchronized with off-chain KYC records.

4. Authority Model

CYLT has explicit authority controls for compliance and security:

Token Admin / Registrar Owner

- Controller: 3-of-5 multisig

• Signer composition: All five (5) multisig signers are individuals directly connected to CYLS LLC or its principals. The multisig does not include independent third-party signers.

> • Timelock: 72 hours for parameter changes and upgrades

• Signer composition: All five (5) multisig signers are individuals directly connected to CYLS LLC or its principals. The multisig does not include independent third-party signers.

> • Responsibilities: Mint/burn authorization, registrar updates, parameter changes

Whitelist Management

> • Add to whitelist: Immediate (no timelock) — enables new eligible investors
>
> – Rationale: Adding is investor-friendly and does not harm existing holders
>
> • Remove from whitelist: 72-hour timelock required
>
> – Rationale: Removal can impact users; timelock provides protection and notice

See CYLS Project Whitepaper, Section 7 for the complete authority summary table across all tokens.

5. Transfer Restrictions & Registrar

CYLT transfers are restricted by design. This is required for securities compliance.

Whitelist Requirements

> • Only addresses approved by the registrar can hold or receive CYLT

> • Whitelist is synced to off-chain KYC/AML records maintained by compliance providers
>
> • If a holder's KYC lapses or is revoked, their address can be removed from whitelist

Transfer Rules

Transfer rules enforced by investor type, jurisdiction, and lock-up status

> • Seasoning periods and resale restrictions per legal pack (e.g., Rule 144 for US holders)
>
> – Note: Rule 144 typically requires 6-12 month holding period for non-affiliates; exact periods defined in legal pack
>
> • Registrar can add, remove, or freeze addresses based on compliance status
>
> • Jurisdictional blocks: certain jurisdictions may be entirely prohibited
>
> • **All Transfers Restricted:** Transfer restrictions apply to every transfer of CYLT, including secondary market resales. Both the sender and receiver must be whitelisted and compliant at the time of transfer. There is no unrestricted secondary market for CYLT. Resale restrictions (including Rule 144 holding periods for US holders) apply to all subsequent transfers, not just initial acquisition.

6. Supply & Lifecycle

CYLT supply floats based on capital flows — no fixed cap. Total supply is intended to reflect actual capital in the fund, reconciled via admin reporting and periodic audits.

Subscription Phase

Investor passes KYC (Know Your customer)/AML (Anti Money aundering) verification and accredited investor check (required for Reg D)

• Investor's Ethereum address is whitelisted by registrar

• Investor subscribes at $1 per CYLT (issue price under legal docs)

• CYLT is minted to investor's whitelisted address

Holding Phase

• Quarterly distributions targeting 8% annual yield (when available)

• Distributions paid in stablecoin (USDC preferred) or fiat wire

• Distributions are intended but NOT guaranteed — depends on portfolio performance

Redemption Phase

• Investor requests redemption during an open window

• Redemption at $1 per CYLT (redemption price under legal docs)

• Request may be gated or prorated in stress periods (liquidity management)

– Stress period: When redemption requests exceed available liquidity, or portfolio events require capital preservation

• On full redemption, CYLT is burned and investor receives proceeds

Note on Pricing: CYLT is issued and redeemed at $1 per token under the legal documents. Secondary transfers are allowlist-restricted and subject to transfer rules,

7. CYLR → CYLT Redemption

This is the bridge between the reward system (CYLR) and the security token (CYLT).

Eligibility Requirements

User must pass KYC/AML verification

• User's Ethereum address must be whitelisted by CYLT registrar

• Eligibility defined in CYLT legal pack — this document is a summary only

How Redemption Works

• User initiates redemption during an open window

• User burns CYLR on Solana

• Off-chain attestation service verifies: burn transaction, KYC status, whitelist, caps

• Attestor signs a one-time attestation with CYLT amount due

• On Ethereum, CYLT minter verifies attestation signature and whitelist status

• CYLT is minted to user's whitelisted Ethereum address

Redemption Terms (Phase 2 – Forward-Looking)

• Redemption Rate: 1 CYLR = $1 of subscription credit toward CYLT.

• CYLT Issue Price: $1 per CYLT at issuance.

  ◦ Example: 1,000 CYLR burned = $1,000 of subscription credit = 1,000 CYLT (before fees).

- Redemption Fee: 0.25%-0.75% of the redemption credit value, subject to change.

  ◦ Example (illustrative):

    If the redemption fee is 0.75%, 1,000 CYLR → $1,000 credit → $7.50 fee → 992.5 CYLT issued.

Note: CYLR → CYLT redemption functionality is **not active in Phase 1**. All redemption parameters, including fees, will be finalized and publicly disclosed prior to the Phase 2 launch.

CYLR → CYLT REDEMPTION FLOW
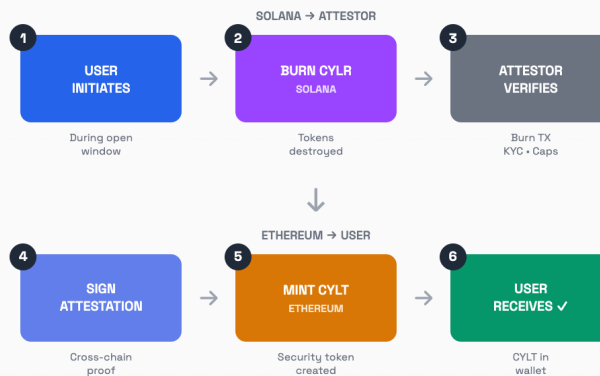
REDEMPTION TERMS:

- **Ratio:** 1 CYLR → 1 CYLT (minus fee)
- **Fee:** 0.25% – 0.75% (range, subject to governance)
- **Windows:** Every 6 months, ~10 days open, 90-day advance notice
- **Caps:** $1M per window (range $250K–$5M), 10% of circulating CYLT (range 2%–20%)
- **KYC:** Required for CYLT minting

See CYLR Tokenomics for detailed redemption mechanics from the CYLR perspective.

8. Windows, Caps & Fees

Parameters that govern subscription and redemption activity.

Window Cadence

- CYLR → CYLT redemption windows: Every 6 months, ~10 days open

- 90-day notice required before opening a window

- Window adjustments: Multisig may open extra windows, extend, shorten, or skip based on liquidity (with public notice)

Per-Window Caps

- Dollar cap: $1M default per window (range $250K–$5M)

- Percentage cap: 10% of circulating CYLT per window (range 2%–20%)

- If demand exceeds caps, requests are queued or prorated

Fee Schedule

Fees applicable to CYLT operations:

- CYLT transfers (wallet-to-wallet): 0% protocol fee (gas only)

– Note: Transfers are allowlist-restricted, not free for anyone

- CYLR → CYLT : 0.25%-0.75%

- CYLT → cash redemption fees are expected to be defined at or prior to the Phase 2 launch and may vary based on operational, regulatory, and settlement considerations.
Any applicable fees will be disclosed in advance and may be adjusted via **3-of-5 multisig approval**, subject to a **72-hour timelock**, where applicable.

- Direct subscription fees: Per legal pack (placement fees, admin fees)

> • Distributions: No protocol take-rate; issuer covers admin costs

9. Distributions

CYLT holders receive distributions from the underlying real estate portfolio.

Distribution Target

> • Target: 8% annual yield, paid quarterly
>
> – Quarterly distribution target: ~2% per quarter
>
> Distributions are NOT guaranteed — they depend on portfolio performance and are governed by PPM/OM legal documents, available upon request.

Distribution Source

> • Distributions come from net distributable cash generated by the real estate portfolio
>
> • Net distributable cash = rental income + sale proceeds - operating expenses - reserves - debt service
>
> • If portfolio underperforms, distributions may be reduced or suspended
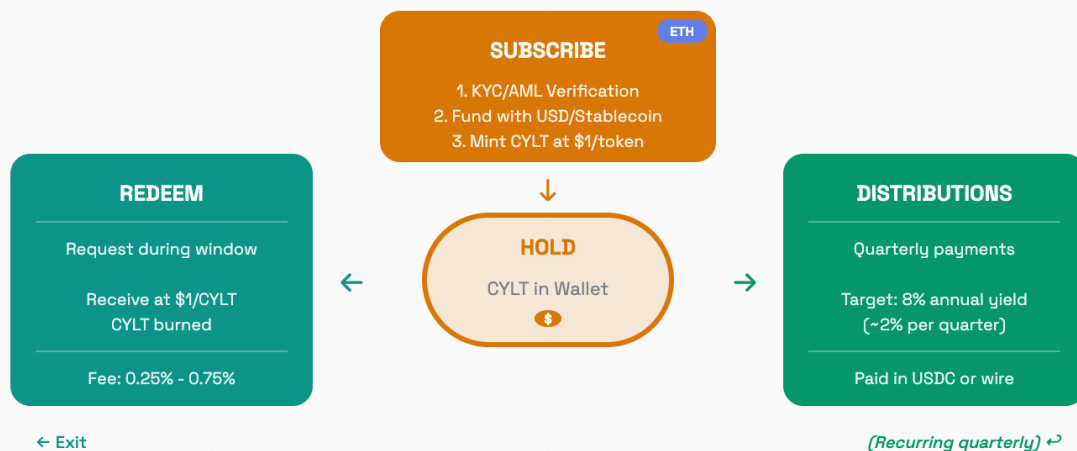
Distribution Medium

> • Primary: Stablecoin (USDC preferred) to whitelisted addresses
>
> • Fallback: Fiat wire transfer for investors who prefer traditional banking, fee apply.

Distribution Mechanics

> • Record date: Snapshot of CYLT holders at a specific block/time
>
> • Payment date: Typically within 10 business days of record date
>
> • Tax withholding: May apply depending on investor jurisdiction

CYLT SUBSCRIPTION & DISTRIBUTION LIFECYCLE

SUBSCRIBE `ETH`
1. KYC/AML Verification
2. Fund with USD/Stablecoin
3. Mint CYLT at $1/token

↓

HOLD
CYLT in Wallet

REDEEM
Request during window

Receive at $1/CYLT
CYLT burned

Fee: 0.25% - 0.75%

← Exit

DISTRIBUTIONS
Quarterly payments

Target: 8% annual yield
(~2% per quarter)

Paid in USDC or wire

(Recurring quarterly) ↵

CAPITAL FLOW:

`IN` USD/Stablecoin → SPV/Fund → CYLT minted to investor

`OUT` CYLT burned → Proceeds to investor

Distributions depend on portfolio performance and are NOT guaranteed

10. Compliance Controls

Security token-specific controls required for regulatory compliance.

Clawback & Forced Transfer

The CYLS protocol is designed to minimize forced interventions. CYLT will not be clawed back or force-transferred solely due to KYC revocation.

In limited circumstances, forced transfer or seizure of CYLT may occur only when legally compelled, such as:

- **Regulatory or Court Order** — A valid court order, regulatory enforcement action, or legally binding directive may require token seizure, freeze, or transfer in accordance with applicable law.

KYC Revocation Policy

- Revocation, expiration, or failure to maintain KYC **status** prevents new purchases, redemptions, or additional issuances of CYLT.

- Existing CYLT holdings are not forcibly transferred solely due to KYC status changes.

Operational Safeguards

- Forced transfers, if legally required, are executed by the registrar or authorized agent.

- All such actions **are** documented, logged, and supported by signed legal justification.

Note: Clawback or forced transfer is considered a last-resort legal remedy and will only be exercised where legally required.

Freeze Mechanisms

- **Address Freeze** — Specific addresses may be frozen only when legally required (e.g., court or regulatory order). Frozen CYLT remains in the holder's wallet but cannot be transferred while the freeze is in effect.

- **Global Transfer Pause** — In rare, legally mandated circumstances, CYLT transfers may be temporarily paused for a limited duration.

Note: The protocol does **not** support discretionary freezes. All freezes are a last-resort legal measure and are documented with appropriate authorization.

Accredited Investor Verification

- US investors must be accredited investors under SEC Rule 501 (Reg D offering)

- Verification performed by compliance provider at subscription and periodically re-verified

- Non-US investors subject to Reg S restrictions and local jurisdiction requirements

11. Governance & Security

Authority Summary

- Mint authority: 3-of-5 multisig with 72-hour timelock

- Emergency freeze may bypass timelock; requires 24h post-event disclosure

CYLT holders do not have governance or voting rights. CYLT is a passive investment security — all operational decisions are made by the issuer/SPV with multisig controls.

See CYLS Project Whitepaper, Section 7 for complete governance, authority, and emergency policy details.

12. Risks

Non-exhaustive list. See CYLT legal pack for comprehensive risk factors.

• Regulatory risk — CYLT is classified as a security; regulatory actions or changes could impact operations

• Portfolio & market risk — Real estate valuations fluctuate; distributions depend on property performance and are not guaranteed

• Liquidity & gating risk — Redemptions may be delayed, prorated, or suspended during stress periods

• Operational & cross-chain risk — KYC provider failures, attestation bugs, or contract vulnerabilities could disrupt operations

• Smart contract risk — Despite audits, bugs may exist; funds could be at risk

• Valuation/NAV risk — NAV estimates may be inaccurate or delayed; actual value may differ

• Counterparty risk — Reliance on attestors, registrars, custody providers, and other service providers

• **Wallet Security & Token Loss Risk** — Tokens are cryptographically tied to blockchain wallet addresses controlled by private keys. If a token holder loses access to their wallet (due to lost private keys, compromised credentials, hardware failure, or other causes), the associated tokens cannot be recovered, reissued, or restored by the protocol or any third party. Token holders bear full responsibility for securing their wallet credentials and maintaining adequate backups.

• Tax risk — Tax treatment may vary by jurisdiction; consult a tax advisor

GOVERNANCE & AUTHORITY STRUCTURE

3-OF-5 MULTISIG
(72-hour Timelock)

| 1 | 2 | 3 | 4 | 5 | 3 of 5 |

CYLA	CYLR	CYLT	REGISTRAR	ATTESTOR	TREASURY
Mint: ✕ (RENOUNCED) **PERMANENT**	Mint: ✓ Freeze: ✓ (early phases)	Mint: ✓ Burn: ✓ Registrar sync	Whitelist management KYC sync	Cross-chain verification Burn → Mint	Fee routing Allocations Reserves

KEY CONTROLS:

- ● All parameter changes: 72-hour timelock
- ● Whitelist additions: Immediate (investor-friendly)
- ● Whitelist removals: 72-hour timelock (protection)
- ● Emergency freeze: May bypass timelock, requires 24h post-event disclosure

> CYLA mint authority: PERMANENTLY RENOUNCED at TGE

🔒 72h

EXTERNAL PARTIES:

COMPLIANCE PROVIDER	ISSUER / SPV	CUSTODY PROVIDER
KYC/AML verification Accredited investor checks	Issues CYLT tokens Manages RE portfolio	Holds digital assets Secure key management

13. References

- CYLS Project Whitepaper — Full ecosystem overview, governance, definitions

- CYLA Tokenomics — Community token details

- CYLR Tokenomics — Reward token mechanics

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